

## Message Text

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ACTION EB-07

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7106

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E.O. 11652: N/A

TAGS: OCON, ICO

SUBJ: COFFEE: CONSUMER CAUCUS JANUARY 8

REF: LONDON 235

1. CONSUMERS CAUCUSED AGAIN MORNING OF JANUARY 8 TO EXCHANGE VIEWS ON INDIVIDUAL COUNTRY ATTITUDES TOWARD A NEW INTERNATIONAL COFFEE AGREEMENT (ICA).

2. FRG LED OFF DISCUSSION BY ENDORSING "U.S. PROPOSAL FOR A STANDBY AGREEMENT" WHICH HAD BEEN MADE IN 1972 WHEN ECONOMIC PROVISIONS OF 1968 AGREEMENT WERE SUSPENDED. IN FRG VIEW, TODAY'S COFFEE PRICES ARE FAIR AND THERE IS NO NEED FOR ANY FORM OF MARKET RESTRICTIONS OR QUOTAS. A STANDBY AGREEMENT COULD BE NEGOTIATED WHICH WOULD COME INTO EFFECT ONLY AFTER A TO-BE-DETERMINED MINIMUM PRICE HAD BEEN PASSED. (FRG REP GAVE IMPRESSION HIS IDEA OF "MINIMUM" WOULD BE WELL BELOW PRESENT LEVELS). IN THE MEANTIME, FRG WOULD ACCEPT THE PROPOSITION THAT MAINTAINING PRICES ABOVE THE MINIMUM IS THE RESPONSIBILITY OF THE PRODUCING COUNTRIES WHICH THEY COULD MANAGE THEMSELVES THROUGH RETENTION SCHEMES (I.E., POLICED BY THEIR OWN PRODUCER ORGANIZATION) OR, ALTERNATIVELY, THE ICO COULD MANAGE THROUGH A BUFFER

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STOCK OPERATING IN THE FREE MARKET TO SMOOTH OUT PRICE

FLUCTUATIONS.

3. USREP INDICATED THAT WHILE WE HAD PROPOSED A STANDBY ARRANGEMENT IN 1972, WE WERE NOT PURSUING THE IDEA AT PRESENT. RATHER, AS WE HAVE REPEATEDLY STATED, WE ARE WILLING TO CONSIDER THE INITIATIVES OF OTHER MEMBER COUNTRIES, PARTICULARLY PRODUCERS. IF PRODUCERS WANT AN AGREEMENT WITH ECONOMIC PROVISIONS, WE WOULD BE WILLING TO CONSIDER. WE CANNOT ACCEPT INDEXATION AND WE HAVE STRONG RESERVATIONS ABOUT PLACING RESPONSIBILITY FOR PRICE MANAGEMENT SOLELY IN HANDS OF PRODUCERS, EVEN AT TODAY'S PRICES. US CANNOT ENCOURAGE PRODUCER CARTELS.

4. BELGIAN REP STATED HE DOUBTED PRODUCERS WOULD ACCEPT A STANDBY AGREEMENT AND SAID CONSUMER INITIATIVE TO PROPOSE ONE WOULD PROBABLY RESULT IN A POLITICAL CONFRONTATION. HE ALSO OBJECTED TO FRG ACCEPTANCE OF IDE THAT PRODUCERS COULD ORGANIZE AMONG SELVES TO UNILATERALLY DETERMINE PRICES.

5. UK REP SAID HMG PREPARED TO GO ALONG WITH AN AGREEMENT WHOSE PURPOSE IS TO DEFEND A MINIMUM PRICE. HOWEVER, UK DOES NOT THINK IT PRACTICAL TO WAIT UNTIL MINIMUM PRICE REACHED BEFORE AGREEMENT GOES INTO ACTION. UK INCLINED TO HAVE QUOTA PROVISIONS OPERATE AT INTERMEDIATE PRICE LEVELS AND BE SUSPENDED ONLY AT UPPER END OF PRICE RANGE. UK CANNOT AGREE TO ANY POSITION WHICH TENDS TO ENCOURAGE PRODUCER CARTELS AS IT BELIEVES GREATER COOPERATION BETWEEN PRODUCERS AND CONSUMERS IS NEEDED.

6. FRENCH REP ALSO REJECTED GERMAN CONCEPT OF STANDBY SAYING POSSIBILITY OF NEW AGREEMENT OFFERS OPPORTUNITY TO AVOID FURTHER COFFEE PRODUCER CARTEL-LIKE ACTIONS.

7. SEVERAL DELEGATES ASKED FRG REP IF HIS CONCEPT OF A STANDBY AGREEMENT RESEMBLED THE PRESENT WORKING OF THE COCOA AGREEMENT. FRG REP RESPONDED AT GREAT LENGTH, BUT MOST DELEGATES INTERPRETED HIS ANSWER AS LIMITED OFFICIAL USE

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AFFIRMATIVE. FRG REP ALSO MADE POINT THAT IF, AS SOME SUSPECT, BRAZIL AND COLOMBIA ARE NOT REALLY READY FOR A NEW ICA, THEY MIGHT FIND THE STANDBY AGREEMENT A SATISFACTORY OUTCOME. FRENCH REP RESPONDED THAT IF PRODUCERS DON'T WANT A FUNCTIONAL AGREEMENT THEY SHOULD TELL US. HE ADDED IT WOULD BE A TACTICAL MISTAKE FOR CONSUMERS TO AVOID DISCUSSING QUOTAS AND MARKET DISTRIBUTION AS THESE ARE OUR BEST WEAPON AGAINST PRODUCER

SOLIDARITY.

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